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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	August 31, 2020
Estimated average burden hours per response.....	12.00

SEC FILE NUMBER
8-08707

**FACING PAGE**

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/2019 AND ENDING 12/31/2019  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Dorn & Co., Inc.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

216 East Washington Ave

OFFICIAL USE ONLY
FIRM I.D. NO.

(No. and Street)

Fergus Falls

MN

56537

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Matthew Dorn 952-449-3019

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Bauer & Company, LLC (PCAOB #6072)

(Name - if individual, state last, first, middle name)

P.O. Box 27887

Austin

TX

78755

(Address)

(City)

(State)

(Zip Code)

**CHECK ONE:**



Certified Public Accountant



Public Accountant



Accountant not resident in United States or any of its possessions.

**FOR OFFICIAL USE ONLY**

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

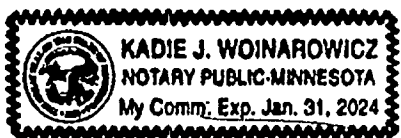
## OATH OR AFFIRMATION

I, Larry Dorn, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Dorn & Co., Inc., as of February 25, 2020, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_



Kadie Woinarowicz  
Notary Public

Larry Dorn  
Signature

President & CEO

Title

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☐ (c) Statement of Income (Loss) or, if there is other comprehensive income in the period(s) presented, a Statement of Comprehensive Income (as defined in §210.1-02 of Regulation S-X).
- ☐ (d) Statement of Changes in Financial Condition.
- ☐ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☐ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

**DORN & CO., INC.**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2019**

**WITH REPORT OF INDEPENDENT REGISTERED PUBLIC  
ACCOUNTING FIRM**

**DORN & CO., INC.  
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YEAR ENDED DECEMBER 31, 2019**

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders  
of Dorn & Co., Inc.

### **Opinion on the Financial Statements**

We have audited the accompanying statement of financial condition of Dorn & Co., Inc. as of December 31, 2019, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of Dorn & Co., Inc. as of December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

These financial statements are the responsibility of Dorn & Co., Inc.'s management. Our responsibility is to express an opinion on Dorn & Co., Inc.'s financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to Dorn & Co., Inc. in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

**BAUER & COMPANY, LLC**

*Bauer & Company, LLC*

We have served as Dorn & Co., Inc.'s auditor since 2018.

Austin, Texas

February 25, 2020

**DORN & CO., INC.**  
**STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2019**

**ASSETS**

Cash and Cash Equivalents	\$ 348,200
Receivable from Broker - Dealers and Clearing Organizations	55,964
Related Party Receivable	20,925
Prepaid Expenses	14,288
Property and Equipment, Net	8,334
Investments in Antique Personal Property	54,019
Intangible Assets, Net	150,334
Restricted Deposit with Clearing Organization	<u>25,000</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 677,064</u></b>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

**LIABILITIES**

Accounts Payable and Accrued Expenses	\$ 78,985
Note Payable	<u>42,348</u>
Total Liabilities	121,333

**STOCKHOLDERS' EQUITY**

Common Stock	
Par Value \$10; Authorized - 25,000 Shares; Issued and Outstanding - 8,410 Shares	84,100
Additional Paid In Capital	175,900
Retained Earnings	<u>295,731</u>
Total Stockholders' Equity	<u>555,731</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b><u>\$ 677,064</u></b>

*The accompanying Notes to Financial Statements are an integral part of these financial statements.*

**DORN & CO., INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 1    NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Business**

Dorn & Co., Inc.'s (the Company), a Minnesota corporation, was incorporated in 1946. The Company is a broker-dealer in securities registered with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA"). The Company operates under the provisions of paragraphs k(2)(i) and k(2)(ii) of Rule 15C3-3 of the SEC, and accordingly is exempt from the remaining provisions of that Rule. The Company's business activities consist primarily of the purchase and sale of stocks, bonds and mutual funds on its own behalf and as a broker or agent for others. The Company operates principally in the state of Minnesota. The Company is a registered insurance agent in the State of Minnesota.

**Basis of Accounting**

These financial statements are presented on the accrual basis of accounting in accordance with generally accepted accounting principles whereby revenues are recognized in the period earned and expenses when incurred.

**Cash Equivalents**

For purposes of the statements of cash flows, the Company considers short-term investments, which may be withdrawn at any time without penalty, which will become available within three months or less from the date of the financial statements, to be cash equivalents.

**Securities Clearing**

The Company conducts business as a registered broker-dealer on a fully-disclosed basis through RBC Correspondent Services (RBC CS), a division of RBC Capital Markets, LLC Member NYSE/FINRA/SIPC.

**Trading Securities and Deposits**

The Company maintains a trading deposit account at RBC in the amount of \$315,549 at December 31, 2019, which is used to purchase trading securities. This amount is included in the Cash and Cash Equivalents on the Statement of Financial Position at December 31, 2019. As of December 31, 2019, the Company had no inventoried trading securities. The funds are held in a trading deposit account. Trading securities are valued at quoted market values. The Company also maintains a clearing deposit account with RBC in the amount of \$25,000 at December 31, 2019.

**Property and Equipment**

Property and equipment are recorded at cost and are depreciated using the straight-line depreciation method over their estimated useful lives. Computers and equipment are depreciated over three years. Upon disposal, property and equipment and the related accumulated depreciation and amortization are removed from the accounts and the resulting gain or loss is reflected in the statement of operations.

**DORN & CO., INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 1    NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Investments**

The Company's investments in antique personal property are valued at cost, which approximates fair value. Accordingly, management believes that there is no impairment to the value of these assets.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Income Taxes**

The Company accounts for income taxes using the asset and liability method whereby deferred tax asset and liability account balances are determined based on differences between financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the asset or liability is expected to be realized or settled. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

In the ordinary course of business, there are many transactions for which the ultimate tax outcome is uncertain. The Company regularly assesses uncertain tax positions in each of the tax jurisdictions in which it has operations and accounts for the related financial statement implications. Unrecognized tax benefits are reported using the two-step approach under which tax effects of a position are recognized only if it is "more-likely-than-not" to be sustained and the amount of the tax benefit recognized is equal to the largest tax benefit that is greater than fifty percent likely of being realized upon ultimate settlement of the tax position. Determining the appropriate level of unrecognized tax benefits requires the Company to exercise judgement regarding the uncertain application of tax law. The amount of unrecognized tax benefits is adjusted when information becomes available or when an event occurs indicating a change is appropriate. The Company includes interest and penalties related to its uncertain tax positions as part of income tax expense, if any. There are no uncertain tax positions as of December 31, 2019.

The Company has not changed any of its tax accrual estimates. The Company files U.S. Federal and U.S. state tax returns.

**Management Review**

The Company has evaluated subsequent events through February 25, 2020, the date the financial statements were available to be issued.



**DORN & CO., INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 1    NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Recent Accounting Pronouncements**

The Company adopted the guidance of ASU No. 2016-02, Leases, (ASC 842) as of January 1, 2019 using the modified retrospective transition approach with the cumulative effect recognized at the date of initial application. The comparative information in the prior year has not been adjusted and continues to be reported under ASC 840, Leases, which was the accounting standard in effect for that period. The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all, and disclose key leasing information. The Company elected a package of practical expedients permitted under the transition guidance, which among other things, allows us to carryforward the historical lease classification, and exclude from balance sheet reporting those leases with initial terms of 12 months or less. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement. There was no effect to the balance sheet. See Note 6—Leases for the required disclosures of the nature, amount, timing, and uncertainty of cash flows arising from leases.

**Revenue from Contracts with Customers**

Revenue from contracts with customers includes commission income and fees from investment advisory services and annuity fees. The recognition and measurement of revenue is based on the assessment of individual contract terms. Significant judgement is required to determine whether performance obligations are satisfied at a point in time or over time; how to allocate transaction prices where multiple performance obligations are identified; when to recognize revenue based on the appropriate measure of the Company's process under the contract; and whether constraints on variable consideration should be applied due to uncertain future events.

**Commissions**

Brokerage commissions. The Company buys and sells securities on behalf of its customers. Each time a customer enters into a buy or sell transaction, the Company charges a commission. Commissions and related clearing expenses are recorded on the trade date (the date that the Company fills the trade order by finding and contracting with a counterparty and confirms the trade with the customer). The Company believes that the performance obligation is satisfied on the trade date because that is when the underlying financial instrument or purchaser is identified, the pricing is agreed upon and the risks and rewards of ownership have been transferred to/from the customer.

**DORN & CO., INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 1   NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Revenue from Contracts with Customers (continued)**

**Asset Management**

Investment advisory fees and annuity fees. The Company provides investment advisory services on a daily basis. The Company believes the performance obligation for providing advisory services is satisfied over time because the customer is receiving and consuming the benefits as they are provided by the Company. Fee arrangements are based on a percentage applied to the customer's assets under management. Fees are received quarterly and are recognized as revenue at that time as they relate specifically to the services provided in that period, which are distinct from the services provided in other periods.

**Commissions**

Commissions and related clearing expenses are recorded on a trade-date basis as securities transactions occur.

**Advertising**

Advertising costs are expensed as incurred. The expense for the year ended December 31, 2019 was \$4,899.

**Trade Receivables**

Trade receivables (Broker and Dealers – Open Transactions and Trading Receivable) are recorded and recognized on the books based upon information presented to the Company by third party entities from whom the receivable is due. No allowance is deemed to be necessary as it has been the experience of the Company that the full amount is collected and usually received within 30 days.

**Impairment**

Impairment losses are recorded on property and equipment used in operations and other long lived assets when indicators of impairment are present in the assets and liabilities as a separate group classified on the financial statements would be presented separately in the appropriate asset and liability section of the Statement of Financial Condition and the Statement of Cash Flows. Estimates to be generated by those assets are less than the assets' carrying amount. Impairment is measured based on the excess of carrying value over the fair value of the asset. Assets to be disposed of are separately presented in the Statement of Financial Condition and are reported at the carrying amount and are no longer depreciated. There are no impairment charges reported by the Company during 2019. No indication of impairment existed at December 31, 2019.

**DORN & CO., INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 2 RECEIVABLE FROM BROKER-DEALERS AND CLEARING ORGANIZATIONS**

Amounts receivable from and payable to broker-dealers and clearing organizations at December 31, 2019, consist of the following:

	2019
Fees and Commissions Receivable	\$ 29,647
Receivable from Clearing Organization	26,317
Total	<u>\$ 55,964</u>

The Company clears certain of its proprietary and customer transactions through another broker-dealer on a fully disclosed basis.

**NOTE 3 INCOME TAXES**

Income tax expense has been computed at the statutory rates applicable during the years. The components of taxes on income at December 31, 2019 are as follows:

Current:	
Federal	\$ 2,107
State	530
Tax Provision	<u>\$ 2,637</u>

The income tax expense for the year ended December 31, 2019 consists of the following:

Current portion of income tax expense	<u>\$ 2,637</u>
Total income tax expense	<u>\$ 2,637</u>

**NOTE 4 PROFIT SHARING TRUST FUND**

The Company has adopted a non-contributory profit sharing plan covering all full-time employees with one or more years of service, to which it has been paying a cash amount approximating 4 percent of the eligible salaries of those employees who have fulfilled the length of service requirement. Contributions to the plan are discretionary and totaled \$13,877 for 2019.

**DORN & CO., INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 5 NET CAPITAL REQUIREMENTS**

The Company is subject to the SEC uniform net capital rule ("Rule 15C3-1"), which requires the maintenance of a minimum amount of net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Rule 15C3-1 also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. At December 31, 2019, the Company had net capital and net capital requirements of \$307,831 and \$250,000, respectively, which was \$57,831 in excess of the required minimum. The Company's aggregate indebtedness to net capital ratio was 39.42 to 1.

**NOTE 6 LEASE AGREEMENTS**

The Company adopted the guidance of ASU No. 2016-02, Leases, (ASC 842) as of January 1, 2019 using the modified retrospective transition approach with the cumulative effect recognized at the date of initial application. The Company elected a package of practical expedients permitted under the transition guidance, which among other things, allows us to carryforward the historical lease classification, and exclude from balance sheet reporting those leases with initial terms of 12 months or less.

The Company leases office space under an operating lease in Fergus Falls, Minnesota. The lease is a month to month lease with a related party, a stockholder of the Company. The Company pays \$8,500 per month.

The Company also leases office space under an operating leases in Minnetonka, Minnesota. The lease is term is 12 months and expires in April 2020. The Company records rent expense on a straight-line basis over the term of the leases. Total rent expense under the leases was \$122,547.

Future minimum lease payments under the agreement, at December 31, 2019 are as follows:

<u>Year</u>	<u>Amount</u>
2020	<u>\$ 5,884</u>

**NOTE 7 RELATED-PARTY TRANSACTIONS**

The Company leases one of its offices in a building owned by a stockholder, and paid \$102,000 for rent in 2019.

The Company has a receivable due from a stockholder in the amount of \$20,925 as of December 31, 2019. The associated imputed interest on the receivable is not material to the financial statements. The Company anticipates collection of the receivable and has not recorded an allowance.

**DORN & CO., INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 7 RELATED-PARTY TRANSACTIONS (CONTINUED)**

The Company also paid commission of \$115,749 to a stockholder for the year ended December 31, 2019. This is included in Commission, Compensation and Benefits in the Statement of Operations as of December 31, 2019.

It is possible that the terms of certain related party transactions are not the same as those that would result from transactions among wholly unrelated parties.

**NOTE 8 CREDIT RISK**

Amounts on deposit in the Company's bank accounts frequently exceeded the FDIC coverage for depositors. This results in a credit risk. Amounts on deposit with RBC CS are covered by Securities Investor Protection Corporation (SIPC).

Other financial instruments subject to off-balance-sheet credit risk include accounts receivable and trading and investment securities. The Company does not require collateral or other security to support receivables. At December 31, 2019, the Company had accounts receivable from broker/dealer open transactions of \$26,317.

The value of trading and investment securities is based on market values of the specific issues and thus subject to market fluctuations.

**NOTE 9 INTANGIBLE ASSETS**

Intangible assets consist of the cost of a customer list. The value of the customer list is amortizable, and is based on the current and future revenue for this asset with an annual minimum equal to the straight line amortization over the remaining estimated economic life, which is 15 years. The Company purchased a customer list for \$164,000 in October 2018. The Company paid cash of \$54,000 and entered into a note payable for \$110,000. Amortization expense for the year ended December 31, 2019 was \$13,666.

**NOTE 10 NOTE PAYABLE**

In October 2018, the Company entered into a note payable agreement with an individual for the purchase of a customer list. The note payable was for \$110,000 with interest of 4.5%. The note matures in October 2020, and is guaranteed by the stockholders of the Company. The balance of the note payable was \$42,348 at December 31, 2019.

Future maturities of the note payable are as follows:

<u>Year</u>	<u>Amount</u>
2020	<u>\$ 42,348</u>

**DORN & CO., INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 11 PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at December 31, 2019:

Office equipment	\$ 221,087
Leasehold improvements	<u>371,663</u>
Subtotal	592,750
Less accumulated depreciation	<u>(584,416)</u>
Total	<u><u>\$ 8,334</u></u>

Depreciation expense for the year ended December 31, 2019 was \$1,495.